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SUPREME COURT, U.S.

No. 08-1197

In The Supreme Court of the United States

SMACK APPAREL COMPANY AND WAYNE CURTISS,
Petitioners,

v.

BOARD OF SUPERVISORS OF THE LOUISIANA STATE UNIVERSITY AND AGRICULTURAL AND MECHANICAL COLLEGE, BOARD OF REGENTS OF THE UNIVERSITY OF OKLAHOMA, OHIO STATE UNIVERISTY, UNIVERSITY OF SOUTHERN CALIFORNIA, AND THE COLLEGIATE LICENSING COMPANY,
Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

PETITIONERS' REPLY BRIEF

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REPLY BRIEF FOR PETITIONERS

As the petition demonstrated, the Fifth Circuit's decision to affirm the District Court's summary judgment determination that petitioners' t-shirts were infringing warrants review: (1) because this case raises an important issue as to whether so-called "identification products" are infringing merely because consumers purchase them to identify or identify with the complaining party, or whether infringement requires real likelihood of confusion as to product source; and (2) because the Fifth Circuit's rejection of aesthetic functionality is at odds with decisions of this Court and other United States courts of appeal.

1. The Decision Below Represents A Significant Interpretation of Trademark Law That Should Be Reviewed by This Court.

Respondents contend that this is an unexceptional trademark infringement suit that applies long standing principles of trademark law. Opp. 2. However, immediately following the District Court's summary judgment ruling respondents' counsel issued a press release which stated that the summary judgment decision was "a significant ruling that establishes an important precedent" and "a landmark decision" that is "important in that few courts . . . have ever directly addressed the issue of color schemes as stand-alone trademarks." USCA5 2265. Also, as noted previously, amicus briefs were filed in the Fifth Circuit by four professional sports organizations and twenty eight universities. Pet. 32-33. The collegiate licensing industry has experienced exponential revenue growth, today topping $3 billion in annual

merchandise sales. *Id.* The decisions below have granted a *de facto* monopoly in this lucrative industry to respondents and other universities.

The significance of the issues in this case extends beyond the collegiate licensing industry and the six t-shirts at issue in this case. The principles which govern this case apply with equal force to jewelry, toys, caps, pennants, and glassware through which consumers display their affections and loyalties for their favorite athletic teams, rock stars, fraternities, colleges, cartoon strips, movies, or television series.

2. The Decision Below Improperly Diminishes the Importance of Consumer Confusion in Trademark Cases Involving "Identification" Marks and Promotional Licensing.

The decisions below, like *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004 (5th Cir.1975) and its progeny, have effectively abandoned the likelihood of confusion requirement and have adopted a *per se* rule of infringement in cases involving promotional, or "identification" marks. Application of the "per se" rule of infringement for promotional or identification marks expands the concept of "infringement" in a way that favors trademark owners and has the effect of creating exclusive property rights in promotional trademarks. The *Boston Professional Hockey* court acknowledged that its decision "may slightly tilt the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs ...." 510 F.2d at 1011. It is appropriate that this Court

determine whether such an evolution in trademark law is both conceptually correct and legally sound.

Respondents cite the First Circuit's decision in *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 9 U.S.P.Q.2d 1690 (1st Cir. 1989) to illustrate the "longstanding principles of trademark law" applied by the court below.[1] Opp. 28, 35. In *Sullivan*, the First Circuit created a rebuttable presumption that purchasers are likely to be confused into thinking that the defendant's promotional goods were produced, licensed, sponsored, or endorsed by the producers of an athletic event. This presumption was said to be triggered by proof that: (1) Defendant intentionally used the mark as a means of establishing a link in consumers' minds with the plaintiff's show or event; and (2) purchasers are likely to buy the promotional goods because of that reference to plaintiff's show or event. The court said that there was no need for plaintiff to prove that purchasers will be actually confused into believing that defendant's goods are officially sponsored by the producer or sponsor of the event.

However, in 1991 the First Circuit receded from *Sullivan*, stating as follows:

> In our view, the cases BAA cites, and *Sullivan* in particular, do not govern the outcome of this case. Nor can we find a likelihood of any

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[1] Professor McCarthy discusses the First Circuit's decision in *Sullivan* and *Boston Professional Hockey* in a section entitled "Outer Limits - Decisions That Step Over the Line". 4 McCarthy on Trademarks, § 24:10 (4th ed.)

relevant confusion here. First, the *Sullivan* opinion, taken as a whole, makes clear that the court, in using the language appellants cite, referring to a "free ride," and taking "advantage" of another's good will, did not intend to depart from ordinary principles of federal trademark law that make a finding of a "likelihood of confusion" essential to a conclusion of "violation." As a general matter, the law *sometimes* protects investors from the "free riding" of others; and *sometimes* it does not. The law, for example, gives inventors a "property right" in certain inventions for a limited period of time; *see* 35 U.S.C. §§ 101 *et seq.;* it provides copyright protection for authors; *see* 17 U.S.C. §§ 101 *et seq.;* it offers certain protections to trade secrets. *See generally* 2 J. McCarthy § 29.16. But, the man who clears a swamp, the developer of a neighborhood, the academic scientist, the school teacher, and millions of others, each day create "value" (over and above what they are paid) that the law permits others to receive without charge. Just how, when and where the law should protect investments in "intangible" benefits or goods is a matter that legislators typically debate, embodying the results in specific statutes, or that common law courts, carefully weighing relevant competing interests, gradually work out over time. The trademark statute does not give the appellants any "property right" in their mark *except* "the right to prevent confusion." *See Quabaug Rubber Co.,*

567 F.2d at 160; 2 J. McCarthy § 23.1. And, nothing in *Sullivan* suggests the contrary.

WCVB-TV v. Boston Athletic Ass'n, 926 F.2d 42, 45 (1st Cir. 1991).

While the First Circuit has effectively limited the impact of the *per se* rule of infringement for which respondents cite *Sullivan*, the Fifth Circuit continues to apply *Boston Professional Hockey* to effectively confer "rights in gross" on trademark owners in a manner which has been uniformly rejected by other courts[2] and commentators[3] alike.

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[2] *Jordache Enters. v. Hogg Wyld, Ltd.*, 625 F. Supp. 48, 227 U.S.P.Q. 794 (D.N.M. 1985), aff'd, 828 F.2d 1482, 4 U.S.P.Q.2d 1216 (10th Cir. 1987) (non-confusing parody of a famous mark is not trademark infringement; owner of a famous mark "does not own in gross the penumbral customer awareness of its name, nor the fallout from its advertising"); *Blue Man Productions, Inc. v. Tarmann*, 75 U.S.P.Q.2d 1811, 2005 WL 2034544 (T.T.A.B. 2005) (Fame alone does not prove the likelihood of confusion: if it did, it would create a right in gross, which "is against the principles of trademark law."); *7-Eleven, Inc. v. Lawrence I. Wechsler*, 83 U.S.P.Q.2d 1715, n.2, 2007 WL 1431084 (T.T.A.B. 2007) (If the fame of a mark were the only controlling factor, such a mark would amount to a right in gross, "and that runs counter to the trademark laws.").

[3] 4 McCarthy on Trademarks, § 24:11 (4th ed.)

3. Review In This Case is Necessary to Provide Uniformity Among the Circuits Concerning the Doctrine of Aesthetic Functionality.

Respondents state that the doctrine of aesthetic functionality has been rejected, and no split in authority exists on this issue. Respondents state that "the divergence claimed by petitioners between the Fifth and Ninth Circuits on the issue of aesthetic functionality has been eliminated – to the extent it ever existed at all – by the more recent decisions in *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252 (9th Cir. 2001) and *Au-tomotive Gold, Inc. v. Volkswagen of America, Inc.*, 457 F.3d 1062 (9th Cir. 2006), *cert. denied*, 549 U.S. 1282 (2007), which petitioners fail even to mention." Op. 1.

Petitioners respectfully disagree. While this Court has yet to address aesthetic functionality as the dispositive issue in a case, this Court has outlined the general contours of functionality and aesthetic functionality. In *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 131 L. Ed. 2d 248, 115 S. Ct. 1300, 34 U.S.P.Q.2d 1161, 1165 (1995), Justice Breyer stated that:

> where color serves a significant non-trademark function – whether to distinguish a heart pill from a digestive medicine or to satisfy the "noble instinct for giving the right touch of beauty to common and necessary things" courts will examine whether its use as a mark would permit one competitor (or a group) to interfere with legitimate (nontrademark-related) competition through actual or potential

> exclusive use of an important product ingredient. That examination should not discourage firms from creating aesthetically pleasing mark designs, for it is open to their competitors to do the same.

In *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 120 S. Ct. 1339, 1344, 54 U.S.P.Q.2d 1065, 1069 (2000), concerning product design trade dress, Justice Scalia made two references to "esthetic" designs:

> Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness.

120 S. Ct. at 1344, and

> It is true, of course, that the person seeking to exclude new entrants would have to establish the non-functionality of the design feature, see § 43(a)(3), 15 U.S.C.A. § 1125(a)(3) (Oct.1999 Supp.)--a showing that may involve consideration of its esthetic appeal, see *Qualitex*, 514 U.S. at 170.

120 S. Ct. at 1345.

In *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 121 S. Ct. 1255, 58 U.S.P.Q.2d 1001 (2001), Justice Kennedy stated said that once a feature was determined to be functional under the traditional

engineering-drive rule, it was not proper to look into the competitive alternative designs available to see if rivals could do without this feature. However, the Justice then said that it *was* proper to make this enquiry into alternatives in cases of "aesthetic functionality," and that "aesthetic functionality was the central question" in the 1995 *Qualitex* case.

Far from being "rejected" by other federal courts, as respondents suggest, it is perhaps more accurate to state that aesthetic functionality has been applied unevenly in the lower courts. For example, some circuits have alternatively applied and rejected aesthetic functionality in different cases, or have attempted to formulate their own definition of aesthetic functionality.

Second Circuit - The Second Circuit has applied aesthetic functionality in what Professor McCarthy refers to as a "a much altered and redefined form".1 *McCarthy on Trademarks and Unfair Competition* § 7:80 (4th ed.). *Wallace International Silversmiths, Inc. v. Godinger Silver Art Co.*, 916 F.2d 76, 16 U.S.P.Q.2d 1555 (2d Cir. 1990), cert. denied, 499 U.S. 976, 113 L. Ed. 2d 720, 111 S. Ct. 1622 (1991).

Third Circuit - Although the Third Circuit rejected aesthetic functionality in *American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1 U.S.P.Q.2d 1001 (3d Cir. 1986), it has on occasion mixed theories of both utilitarian and aesthetic functionality. *Standard Terry Mills, Inc. v. Shen Mfg. Co.*, 803 F.2d 778, 231 U.S.P.Q. 555 (3d Cir. 1986) ("windowpane check" pattern on a kitchen towel is "functional" as being a "favorite pattern for kitchen

textiles" and "compatible with contemporary kitchen decor").

Sixth Circuit - The Sixth Circuit has stated that: "[T]he precedent in this circuit suggests that aesthetic functionality will not preclude a finding of nonfunctionality where the design also indicates source." *Ferrari S.p.A. Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235, 20 U.S.P.Q.2d 1001, 1011 (6th Cir. 1991), cert. denied, 505 U.S. 1219, 120 L. Ed. 2d 899, 112 S. Ct. 3028 (1992) However, later, the court, ignoring its own precedent, held that a vaguely defined trade dress in a style of clothing was unprotectable as being aesthetically functional. *Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc.*, 280 F.3d 619, 61 U.S.P.Q.2d 1769 (6th Cir. 2002) (plaintiff claimed trade dress in casual clothing with primary color combinations with solid, plaid and stripe designs made from all natural cotton, wool and twill fabrics).

Seventh Circuit - While the Seventh Circuit appeared to reject aesthetic functionality in *W.T. Rogers Co. v. Keene,* 778 F.2d 334 (7th Cir. 1985), later decisions from the Seventh Circuit have applied the doctrine. *Schwinn Bicycle Co. v. Ross Bicycles, Inc.*, 870 F.2d 1176, 10 U.S.P.Q.2d 1001 (7th Cir. 1989) (an exercise bicycle with the wheel in the front is "aesthetically functional" because the public "strongly prefers" the wheel in the front).

Ninth Circuit - A District Court in the Ninth Circuit stated in 2001 that aesthetic functionality "is essentially defunct in this circuit," *Gucci Timepieces Am., Inc. v. Yidah Watch Co.*, 47 U.S.P.Q.2d 1938, 1941, 1998 WL 650078 (C.D.Cal.1998) ("[T]he aesthetic

functionality test is essentially defunct in this circuit."). However, in 2006 the Ninth Circuit recognized that aesthetic functionality retains "some limited vitality" in the Ninth Circuit, including "product features that serve an aesthetic purpose wholly independent of any source-identifying function." *Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc.*, 457 F.3d 1062, 1070, 1073 (9th Cir. 2006).

The doctrine of aesthetic functionality is also recognized by the Restatement Third, Unfair Competition § 17 (1995), as follows:

> A design is functional because of its aesthetic value only if it confers a significant benefit that cannot practically be duplicated by the use of alternative designs.

This case involves game day sports apparel in which unique color combinations allow fans to identify the team they support, and distinguish themselves from fans who wear the opposing team's colors. The role which color plays in this case is analogous to the example of a "significant non-trademark function" described by Justice Breyer in *Qualitex*: "to distinguish a heart pill from a digestive medicine." 514 U.S. at 170.

The District Court's findings demonstrate that the use of school colors to allow fans to identify themselves and distinguish opposing fans constitutes a significant non-trademark function that cannot practically be duplicated by the use of alternative designs:

> As defendants admit, consumers purchase shirts of the universities' color schemes, logos, and designs in order to show support for the particular university; there is no consumer demand without these identifying characteristics. They have no demonstrated value other than their significance to identify with the universities.

Pet. 66a.

The Fifth Circuit affirmed the District Court's finding that the school colors were not functional, stating as follows:

> The school colors and other indicia used here do not make the t-shirts "work." The t-shirts would function just as well as articles of clothing without the colors and designs.

Pet. 36a. This statement disregards the type of clothing which these six t-shirts represent. While the six t-shirts would "work" as articles of clothing without the school colors, they would not "work" as game day apparel, worn by fans to sporting events for the purpose of identifying the team they support, and distinguishing themselves from fans who wear the opposing team's colors.

The record below demonstrates that respondent universities both recognize and encourage their fans attending sporting events to wear clothing which displays the team colors. For example, an affidavit submitted by respondent University of Oklahoma on summary judgment stated as follows:

> "On gamedays, a sea of crimson rolls through OU's home arena and all Sooners are urged to wear the official colors to show the rest of the country what school spirit and Sooner Pride is all about." *Affidavit of Richard Hart*, at 3, ¶ 7, Exhibit 4 (PL-OK 01179).

The question presented in this case is whether the University of Oklahoma Athletic Department will receive a royalty payment for each of the apparel items which collectively form that "sea of crimson".

In this case, respondents' school colors serve an aesthetic purpose which is "wholly independent of any source-identifying function" and "cannot practically be duplicated by the use of alternative designs." The Fifth Circuit's rejection of aesthetic functionality eliminated any possibility that respondents' school colors, an aesthetic feature, might be considered functional as this Court contemplated in *Qualitex*.

CONCLUSION

The petition for certiorari should be granted.

Respectfully submitted,

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